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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER-Chairman

JIM IRVIN

WILLIAM A. MUNDELL

JEFF HATCH-MILLER

MIKE GLEASON

Arizona Corporation Commission

DOCKETED

APR 21 2003



UTILITIES DIVISION STAFF

Complainant,

v.

LIVEWIRENET OF ARIZONA, LLC; THE PHONE COMPANY MANAGEMENT GROUP, LLC; THE PHONE COMPANY OF ARIZONA JOINT VENTURE D/B/A THE PHONE COMPANY OF ARIZONA; ON SYSTEMS TECHNOLOGY, LLC and its principals, TIM WETHERALD, FRANK TRICAMO AND DAVID STAFFORD; and THE PHONE COMPANY OF ARIZONA, LLP and its Members,

Respondents.

DOCKET NO. T-03889A-02-0796
DOCKET NO. T-04125A-02-0796

NOTICE OF FILING DIRECT
TESTIMONY OF TRAVIS
CREDLE

Counsel for The Phone Company of Arizona, LLP hereby files the Direct Testimony of Travis Credle in the above-referenced matter.

RESPECTFULLY SUBMITTED this 21st day of April, 2003.

SNELL & WILMER, L.L.P.



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Attorneys for The Phone Company of Arizona, LLP

ONE ORIGINAL and fifteen (15) copies
of the foregoing reply were filed with
Docket Control this 21st day of April, 2003.

A COPY of the foregoing was hand-
delivered this 21st day of April, 2003, to:

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PRE-FILED TESTIMONY OF TRAVIS CREDLE

1 Q. Please state your name and business address for the record.

2 A. My name is Travis Credle. My business address is 3709 W. Hedrick Drive, Morehead
3 City, North Carolina 28557.

4 Q. What is your relationship to The Phone Company of Arizona, LLP?

5 A. I am one of the partners in The Phone Company of Arizona, LLP, also referred to in my
6 testimony as the "Partnership." In addition, I am a managing partner of the Partnership,
7 and I am the Chairman of the Managing Partners Committee.

8 Q. Are you authorized to testify on behalf of The Phone Company of Arizona, LLP, in this
9 proceeding?

10 A. Yes.

11 Q. Please describe the business purpose of The Phone Company of Arizona, LLP.

12 A. The Phone Company of Arizona, LLP, is a registered limited liability partnership formed
13 pursuant to the Arizona Revised Uniform Partnership Act for the purpose of obtaining a
14 certificate of convenience and necessity ("CC&N") to provide competitive
15 telecommunications services in Arizona.

16 Q. Was The Phone Company of Arizona, LLP, successful in obtaining a CC&N to provide
17 telecommunications services in Arizona?

18 A. No. In fact, the Partnership never filed an application with the Arizona Corporation
19 Commission for a CC&N.

20 Q. Does The Phone Company of Arizona, LLP, provide telephone service in Arizona, or in
21 any other state?

22 A. No it does not.

23 Q. Does The Phone Company of Arizona, LLP, hold any ownership interest in any entity
24 which possesses a CC&N in Arizona, or which provides telecommunications services to
25 any customers in Arizona?

26 A. No.

- 1 Q. Does The Phone Company of Arizona, LLP, control—directly or indirectly--any entity
2 which holds a CC&N in Arizona or which provides telecommunications services to
3 customers in Arizona?
- 4 A. No.
- 5 Q. Are you familiar with an entity named Telecom Advisory Services, Inc.?
- 6 A. Yes. Telecom Advisory Services, Inc., is a Florida corporation formed for the purpose of
7 selling investment shares in telecommunications partnerships in Colorado, Arizona,
8 Washington, Minnesota, Iowa, Nebraska, Texas and Oregon.
- 9 Q. Did Telecom Advisory Services, Inc., sell investment shares in The Phone Company of
10 Arizona, LLP, to you and the other partners?
- 11 A. Yes.
- 12 Q. Are you familiar with an entity known as On Systems Technology, LLC.
- 13 A. Yes. It is my understanding that On Systems Technology, LLC, also referred to in my
14 testimony as “On Systems,” is a Colorado limited liability company formed for the
15 purpose of owning, operating and managing telecommunications companies in Colorado,
16 Arizona, Washington, Minnesota, Iowa, Nebraska, Texas and Oregon. It is also my
17 understanding that On Systems owns all the membership interests in an entity known as
18 The Phone Company Management Group, LLC.
- 19 Q. Are you familiar with an entity formerly known as LiveWireNet of Arizona, LLC, and
20 now known as The Phone Company Management Group, LLC?
- 21 A. Yes. It is my understanding that LiveWireNet of Arizona, LLC, also referred to in my
22 testimony as “LiveWireNet,” is an Arizona limited liability company formed for the
23 purpose of owning, operating and managing telecommunications companies in the State
24 of Arizona. It is also my understanding that on January 29, 2002, LiveWireNet filed
25 Amended Articles of Incorporation with the Arizona Corporation Commission changing
26 its name to The Phone Company Management Group, LLC, doing business as The Phone

1 Company. It is also my understanding that On Systems Technology, LLC, owns all the
2 membership interests in The Phone Company Management Group, LLC. The Phone
3 Company Management Group, LLC, is also referred to in my testimony as “TPCMG.”

4 Q. Does The Phone Company of Arizona, LLP, own any interest in On Systems Technology,
5 Inc., or control On Systems in any way?

6 A. No. The Phone Company of Arizona, LLP, does not now nor has it ever held any
7 ownership interest in On Systems Technology, LLC, nor has the Partnership, now or in
8 the past, controlled On Systems in any way. The Partnership and On Systems share no
9 common owners, officers, directors or managers.

10 Q. Is there now or has there ever been a business relationship between The Phone Company
11 of Arizona, LLP, and On Systems Technology, LLC?

12 A. The Phone Company of Arizona, LLP, contracted with On Systems Technology, LLC, to
13 be the manager of the telephone business for the Partnership. Mr. Wetherald represented
14 to the Partnership that he and his company, On Systems, had experience and expertise in
15 telephone company management services, including start-up and ongoing management
16 functions normal and necessary for the Partnership to be successful. However, the
17 Partnership never applied for or obtained a CC&N, never initiated telephone service in
18 Arizona, and never obtained any customers. The management agreement between On
19 Systems and the Partnership was breached by On Systems and Mr. Wetherald, and the
20 agreement is no longer in effect.

21 Q. Did The Phone Company of Arizona, LLP, own any interest in the entity formerly known
22 as LiveWireNet of Arizona, LLC, or control LiveWireNet in any way?

23 A. No. The Phone Company of Arizona, LLP, does not now nor has it ever held any
24 ownership interest in the entity formerly known as LiveWireNet of Arizona, LLC, nor has
25 the Partnership, now or in the past, controlled LiveWireNet in any way. The Partnership
26 and LiveWireNet share no common owners, officers, directors or managers.

1 Q. Does The Phone Company of Arizona, LLP, own any interest in The Phone Company
2 Management Group, LLC (formerly known as LiveWireNet of Arizona, LLC), or control
3 TPCMG in any way?

4 A. No. The Phone Company of Arizona, LLP, does not now nor has it ever held any
5 ownership interest in The Phone Company Management Group, LLC, nor has the
6 Partnership, now or in the past, controlled TPCMG in any way. The Partnership and
7 TPCMG share no common owners, officers, directors or managers.

8 Q. Are you acquainted with Tim Wetherald, a respondent in this proceeding?

9 A. Yes. It is my understanding that Mr. Wetherald owns a 35% membership interest in On
10 Systems Technology, LLC. It is also my understanding that Mr. Wetherald is the manager
11 of The Phone Company Management Group, LLC, and he is also the manager of On
12 Systems.

13 Q. Does Mr. Wetherald have an ownership interest in The Phone Company of Arizona, LLP?

14 A. No. Mr. Wetherald does not now, nor has he ever had, an ownership interest in The
15 Phone Company of Arizona, LLP.

16 Q. Is Mr. Wetherald a general or limited partner of The Phone Company of Arizona, LLP?

17 A. No. Mr. Wetherald is not now, nor has he ever been, a general or limited partner in The
18 Phone Company of Arizona, LLP.

19 Q. Does Mr. Wetherald own any interest in The Phone Company of Arizona, LLP, or control
20 the Partnership in any way?

21 A. No.

22 Q. Are you acquainted with David Stafford Johnson, a respondent in this proceeding?

23 A. Yes. It is my understanding that Mr. Johnson owns a 10% membership interest in On
24 Systems Technology, LLC.

25 Q. Does Mr. Johnson have an ownership interest in The Phone Company of Arizona, LLP, or
26 does he control the Partnership in any way?

1 A. No. Mr. Johnson does not now, nor has he ever had, an ownership interest in The Phone
2 Company of Arizona, LLP, nor does he have any control over the Partnership.

3 Q. What is The Phone Company of Arizona Joint Venture?

4 A. The Phone Company of Arizona Joint Venture, also referred to in my testimony as the
5 "Joint Venture," was a short-lived business venture formed between The Phone Company
6 of Arizona, LLP, and On Systems Technology, LLC, on June 6, 2002. The Joint Venture
7 was terminated effective as of July 31, 2002.

8 Q. Please describe the formation of The Phone Company of Arizona, LLP.

9 A. The investors in The Phone Company of Arizona, LLP, were sold shares in the
10 Partnership through Telecom Advisory Services, Inc., a self-styled partnership recruiter.
11 The investors were told that the Partnership had been formed for the purpose of
12 establishing, for the investors, a new competitive local exchange carrier in Arizona. Mr.
13 Wetherald through his company On Systems Technology, LLC, was to take those steps
14 necessary in order for the Partnership (i) to obtain a competitive CC&N in Arizona; (ii) to
15 obtain other required approvals and permits; and (iii) to enter into such interconnection
16 agreements and/or resale agreements as were required in order for the Partnership to
17 provide local telephone service and other telecommunications services in Arizona.

18 Q. Did Mr. Wetherald and On Systems Technology, LLC, take the required steps to establish
19 a telephone business on behalf of The Phone Company of Arizona, LLP?

20 A. Absolutely not. Mr. Wetherald never applied for a CC&N or any other permits or
21 approvals in the name of The Phone Company of Arizona, LLP, nor did he negotiate or
22 execute any interconnection or resale agreement in the name of the Partnership. Rather,
23 Mr. Wetherald took steps to advance the interest of On Systems Technology, LLC, and
24 The Phone Company Management Group, LLC, to the detriment of The Phone Company
25 of Arizona, LLP.

26 Q. What led to the formation of the Phone Company of Arizona Joint Venture?

1 A. Mr. Wetherald formed LiveWireNet in early 2000, and the Commission issued a
2 conditional CC&N to LiveWireNet on February 16, 2001. The name of LiveWireNet was
3 subsequently changed to The Phone Company Management Group, LLC, on January 29,
4 2002. The Phone Company Management Group, LLC, has conducted business under the
5 name "The Phone Company." The Phone Company of Arizona Joint Venture was formed
6 between The Phone Company of Arizona, LLP, and On Systems Technology, LLC, on
7 June 6, 2002. Mr. Wetherald persuaded the Partnership to form the Joint Venture under
8 the guise that the Joint Venture was required by the Commission in order for The Phone
9 Company of Arizona, LLP, to get into the telephone business. Mr. Wetherald told the
10 partners of The Phone Company of Arizona, LLP, that the CC&N held by The Phone
11 Company Management Group, LLC, would be transferred to the Phone Company of
12 Arizona Joint Venture. However, the transfer of the CC&N never occurred, and in a letter
13 dated December 5, 2002, the Partnership notified Tim Wetherald that the Joint Venture
14 was terminated due to the failure of On Systems to perform material obligations imposed
15 upon On Systems Technology, LLC, as: (i) manager under a Management Agreement
16 between the parties dated November 13, 2001; and (ii) a joint venturer under the
17 Telecommunications Services and Operating Agreement dated June 6, 2002. The Phone
18 Company of Arizona Joint Venture was terminated effective July 31, 2002, the date
19 Michael L. Glaser, Esq., filed an application with the Commission for a CC&N on behalf
20 of the Joint Venture but without the authority or consent of the Join Venture. The one and
21 only meeting of the management committee of the Joint Venture occurred on August 8,
22 2002, one week after the application was filed.

23 Q. Did The Phone Company of Arizona, LLP, authorize Mr. Wetherald, On Systems
24 Technology, LLC, or The Phone Company Management Group, LLC, to use the business
25 name "The Phone Company of Arizona"?
26

- 1 A. No. The management committee of the Phone Company of Arizona Joint Venture never
- 2 authorized Wetherald or the Phone Company Management Group, LLC, to use the
- 3 business name "The Phone Company of Arizona." Thus, the use of the business name
- 4 "The Phone Company of Arizona" by any of LiveWireNet of Arizona, LLC, The Phone
- 5 Company Management Group, LLC, On Systems Technology, LLC, or Tim Wetherald
- 6 was an unlawful and unauthorized use of a business name intended to create an
- 7 appearance that The Phone Company of Arizona Joint Venture and The Phone Company
- 8 Management Group, LLC, were one and the same. Other than the short-lived relationship
- 9 between The Phone Company of Arizona, LLP, and On Systems Technology, LLC, as
- 10 joint venturers, there is not now nor has there ever been any legal relationship between
- 11 The Phone Company of Arizona, LLP and any of LiveWireNet of Arizona, LLC, The
- 12 Phone Company Management Group, LLC, On Systems Technology, LLC, or an entity
- 13 providing telephone service in Arizona under the name "The Phone Company of
- 14 Arizona." Mr. Wetherald's scheme was designed to advance the interests of his own
- 15 enterprises, On Systems Technology, LLC, and The Phone Company Management Group,
- 16 LLC.
- 17 Q. Has The Phone Company of Arizona, LLP, or any of its partners acting on behalf of the
- 18 Partnership provided telecommunications services to customers in Arizona?
- 19 A. No.
- 20 Q. Has The Phone Company of Arizona, LLP, or any of its partners acting on behalf of the
- 21 Partnership solicited customers in Arizona for the provision of telecommunications
- 22 services?
- 23 A. No.
- 24 Q. Does The Phone Company of Arizona, LLP, possess a CC&N to provide
- 25 telecommunications services in Arizona?
- 26 A. No.

1 Q. Does The Phone Company of Arizona, LLP, own an interest in any entity providing
2 telecommunications services in Arizona, either pursuant to a CC&N or otherwise?

3 A. No.

4 Q. Did The Phone Company of Arizona, LLP, or any of its partners acting on behalf of the
5 Partnership, participate in decisions concerning the operation of The Phone Company
6 Management Group, LLC, or the offering of local exchange service in Arizona by
7 TPCMG?

8 A. No. The Phone Company of Arizona, LLP, has never participated in any decisions
9 pertaining to the operation of The Phone Company Management Group, LLC, or the
10 provision of local exchange service or any other telecommunications services the
11 TPCMG.

12 Q. Did the management committee of The Phone Company of Arizona, LLP, participate in
13 any management decisions with On Systems Technology, LLC, concerning the offering of
14 telecommunications services by The Phone Company Management Group, LLC, in
15 anticipation of such service being offered by the Phone Company of Arizona Joint
16 Venture?

17 A. No. In fact, Mr. Wetherald went to extraordinary lengths to make certain that The Phone
18 Company of Arizona, LLP, and its investors had little or no information on the activities
19 of The Phone Company Management Group, LLC, and On Systems Technology, LLC.

20 Q. Would you please explain The Phone Company of Arizona, LLP's claim to the time
21 certificate of deposit (the "CD") utilized by The Phone Company Management Group,
22 LLC, and Mr. Wetherald to satisfy the performance bond requirement of Commission
23 Decision 63382?

24 A. Yes. Pursuant to Decision No. 63382, LiveWireNet of Arizona, LLC (now known as The
25 Phone Company Management Group, LLC) was required to file a performance bond in
26 the amount of \$100,000 within 90 days of the date of the decision granting its CC&N.

1 The Phone Company Management Group, LLC, requested and received several
2 extensions of time to submit evidence that it had obtained the performance bond, and
3 subsequently notified the Commission that it had obtained a Bond for Utility Users dated
4 February 19, 2002. However, to satisfy the bond requirement of Decision 63382, Mr.
5 Wetherald caused Roald Haugan, the former managing partner of The Phone Company of
6 Arizona, LLP, to disperse \$100,000 from the Partnership's reserve account to purchase a
7 CD to be used as the financial security for the performance bond. Mr. Haugan did this
8 because he believed that Mr. Wetherald was proceeding in good faith with efforts to
9 obtain a CC&N for the Partnership, rather than using the CD to fulfill the performance
10 bond requirement tied to Wetherald's own CC&N for The Phone Company Management
11 Group, LLC. A \$100,000 CD was subsequently purchased by Mr. Haugan and the
12 Partnership at First United Bank of Colorado, as surety on behalf of The Phone Company
13 Management Group, LLC, under the Bond for Utility Users. Time Certificate of Deposit
14 No. 8726 was issued by First United Bank on February 19, 2002, in the name of "Roald
15 Haugan/The Phone Co. of AZ, LLP," as a single-party account with single maturity (*i.e.*,
16 not automatically renewed) with a maturity date of February 19, 2003. Without Mr.
17 Haugan's consent, or the consent of The Phone Company of Arizona, LLP, the name
18 "Tim Wetherald" was inserted above Mr. Haugan's name on CD No. 8726. First United
19 Bank of Colorado, as surety, gave notice to The Phone Company Management Group,
20 LLC, on December 11, 2002, that its liability under the performance bond would
21 terminate and the Bond would be cancelled on February 19, 2003. However, the Bond for
22 Utility Users states that it will remain in full force and effect until cancelled by mutual
23 agreement of the Arizona Corporation Commission, The Phone Company Management
24 Group, as principal, and First United Bank of Colorado, as the surety.
25 Mr. Wetherald fraudulently obtained CD No. 8726 in order to satisfy the performance
26 bond requirement associated with the CC&N issued to The Phone Company Management

1 Group, LLC., in decision 63382, not The Phone Company of Arizona, LLP. As I have
2 already stated in my testimony, The Phone Company of Arizona, LLP, has no ownership
3 interest in any of LiveWireNet of Arizona, LLC, The Phone Company Management
4 Group, LLC, or On Systems Technology, LLC. Thus, The Phone Company of Arizona,
5 LLP, requests that the Commission authorize the release and return of CD No. 8726 to the
6 Partnership, its rightful owner.

7 Q. Is The Phone Company of Arizona, LLP, seeking any relief from the Arizona Corporation
8 Commission regarding CD No. 8726?

9 A. Yes. The Phone Company of Arizona, LLP, would like the Commission to enter its order
10 (i) finding that the use by Mr. Wetherald of CD No. 8726 to satisfy the performance bond
11 requirement in Decision 63382 was fraudulent, unlawful, and a violation of the
12 Commission's decision; and (ii) authorizing the First United Bank of Denver to release
13 CD No. 8726 to The Phone Company of Arizona, LLP.

14 Q. Does this conclude your testimony?

15 A. Yes.
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